

CONFIDENTIAL

COMMITTEE ON ADMINISTRATIVE POLICIES

Meeting 82/4
3:30 p.m., December 9, 1982

W. B. Dale, Acting Chairman

Executive Directors

A. R. G. Prowse

F. Sangare
J. Sigurdsson

Alternate Executive Directors

C. Dallara
T. Yamashita
J. E. Suraisry
G. Gomel, Temporary

O. Kabba j

A. Wright, Secretary
J. A. Kay, Assistant

Also Present

Jaafar A.
G. Grosche

Administration Department: R. Tenconi, Director; L. Garamfalvi,
A. D. Goltz, W. B. Hobbs, J. D. Huddleston. Secretary's Department:
B. R. Hughes. Treasurer's Department: R. W. Groettum, M. Lacaze,
R. Noë. Assistants to Executive Directors: Jiang H., D. I. S. Shaw,
J. C. Williams.

1. STAFF TRAVEL ALLOWANCES

Committee members continued from Meeting 82/3 (11/14/82) their consideration of papers on staff travel allowances (EB/CAP/82/11, 9/30/82; and Sup. 1, 11/22/82), together with a revised draft decision set out on pages 2 and 3 of Supplement 1.

Mr. Sigurdsson stated that he would support the draft decision as amended.

Mr. Dallara commented that Supplement 1 addressed the concerns raised at Meeting 82/3, and that the staff had provided the information requested at that time regarding the attitude of the United Nations Joint Inspection Unit toward organization and methods for official travel.

The amendment of one sentence and the addition of another in paragraph (a) of the draft decision, providing for the maintenance of a list of reasonably priced hotels for the 40 or so countries where a range of hotels was available, was most helpful. He hoped not only that the list would be available but also that it would be used when bookings were made for staff travel. He would support the draft decision as amended.

Mr. Yamashita stated that he too would support the draft decision as amended. The staff had provided a framework that gave an assurance that travel costs would be administered on a prudent basis, and he hoped that the decision would be actively applied. He noticed that the staff had referred to 40 countries where there was a choice; he assumed that in the remaining countries there was in fact no choice of hotel.

The Director of Administration confirmed Mr. Yamashita's understanding.

Mr. Suraisry remarked that the staff proposal was convincing; he would support the draft decision as amended. When the Fund asked staff members to travel on official business, it expected excellent work from them. It should therefore provide them with good-quality accommodation in return.

Mr. Prowse remarked that he had hoped that EB/CAP/82/11, Supplement 1 would be fuller; it had not dealt with some of the questions raised at Meeting 82/3. For instance, there was no mention of airline travel policy, and he had understood that Committee members had agreed at a previous meeting that it would be useful to engage an outside consultant to examine the Fund's travel arrangements as a whole. On another point, he noticed that Thomas Cook received some \$4 million per year for making the Fund's travel arrangements. The Fund was renegotiating the contract, and he wondered what progress had been made. In that connection, would there be any practical difficulty if Executive Directors arranged for their travel through the American Express Company? His contention was that the two firms should compete.

Taking up the revised draft decision, Mr. Prowse said that the additional wording was helpful, and that he would accept the decision as it stood. Nevertheless, regarding paragraph (d), had management considered what the situation would be if a staff member were prevented from traveling? It would surely be only reasonable to allow to a spouse the larger amount proposed for the staff member.

The Director of the Administration Department said that he did not know whether such a case had arisen; he would look into the matter and take Mr. Prowse's point under consideration.

Continuing his replies to comments, the Director of Administration explained that the Fund had been talking to airlines. Under existing U.S. law, it was possible to obtain discounts for volume sales on domestic airlines. However, international airlines had resisted discounts for institutions. In practice, the Fund was able to obtain special fares on

14 domestic airlines, but no discount policy had been possible for travel overseas. It was expected that the Civil Aeronautics Board would issue rulings on the sale of airline tickets before the end of the year.

Regarding relationships with Thomas Cook, the Director explained that a decision had not been taken on whether it would be possible to make a change when the World Bank moved into its new building. It was not permissible to have two in-house travel agencies, and it would be difficult to arrange for competition between Thomas Cook and American Express, the latter in any event not being enthusiastic to compete. The Fund had arranged to obtain a rebate on some of Thomas Cook's profit. From December 1 to December 31, 1982, the Fund would receive from Thomas Cook 1 per cent of the price of tickets sold since September 1, 1982. From January 1, 1983, the Fund would receive 2 per cent of the cost of tickets sold, representing 20 per cent of Thomas Cook's commission together with some of the extra commission received because the tickets were in first class, not economy class.

The Acting Chairman, summarizing the discussion, said that he understood that Committee members would support the language of the revised draft decision set out on pages 2 and 3 of EB/CAP/82/11, Supplement 1, taking note of Mr. Prowse's suggestion regarding paragraph (d). The staff would prepare a report to the Executive Board, recommending adoption of the revised draft decision on a lapse-of-time basis.

The Committee members took note of the proposal by the Acting Chairman.

2. EXTERNAL ASSIGNMENTS FOR PROFESSIONAL AND CAREER DEVELOPMENT

The Committee members considered a report on the operations of external assignments for professional and career development (EB/CAP/82/12, 12/3/82), together with a draft decision set out on page 4.

The Acting Chairman recalled that the Executive Board had approved the proposal to establish a program to encourage external assignments for professional and career development on August 12, 1981 (EBAP/81/263, Supplement 1, 8/7/81). It had been agreed that the Committee on Administrative Policies should review the decision after one year's experience and report the result to the Executive Board. Accordingly, EB/CAP/82/12 described the program's first year of operation, and contained a proposal for a modest change in the salary advance entitlement.

The Director of Administration noted that on page 2 the report regarding the fourth staff member should have mentioned that, apart from working on several research projects at the National University of Singapore, the staff member was working with the Monetary Authority of Singapore.

Mr. Yamashita stated that he welcomed the proposal to raise the salary advance to one month of advance for every two months of leave, up to a maximum of one year's salary. Committee members should consider alleviating

the difficulties encountered by staff members due to the burden of relocation costs and settling-in costs. He would indeed not mind seeing an allowance for both those costs provided. Staff members should be encouraged to participate by reducing the financial costs imposed upon them. After all, during their absence, they continued to pay their premiums for medical insurance, the retirement plan, and the general health plan. They often encountered high installation costs, and they received no financial help other than the salary advance. There was surely a case for alleviating any financial difficulties that they might encounter.

Mr. Prowse considered that the proposed change was likely to enhance the policy of the program. There was no need for persons engaging in the program to be put at a financial disadvantage. If Mr. Yamashita's suggestion would help in that respect, he would support it.

Mr. Sangare said that he too would support Mr. Yamashita's proposal.

Mr. Suraisry commented that any benefits that the staff could obtain from their outside assignments would be reflected in their future work for the Fund. He would therefore support the two proposals set out on page 4 of the paper, together with Mr. Yamashita's suggestion.

Mr. Dallara stated that he agreed that the program was useful both for staff members and for the Fund. There were, however, a number of questions to which he would like to receive answers. For instance, was it certain that the staff did in fact encounter financial problems? If so, what were they, and were the steps being taken to deal with them the most appropriate? Was the essential problem the relatively low salary paid by host institutions, or was it that the relocation costs were high, and that the staff members, while abroad, still had to meet commitments, such as medical premiums, in Washington? If indeed the relocation costs were burdensome to staff members, he would be prepared to follow Mr. Yamashita's proposal. On the other hand, if the staff members were burdened by recurring costs, a salary advance might not be the best way of dealing with the situation.

The Director of the Administration Department stated that he was reluctant to offer a relocation allowance on grounds of consistency. Persons who accepted the outside assignments were doing so in order to improve their career prospects. The situation was therefore analogous to the individual study program, for which no installation allowance was paid. Installation allowance was made available only on recruitment or when a staff member relocated to serve the Fund elsewhere. The World Bank was considering a similar program, which would in any event be less generous than the Fund's in its provision of travel costs and salary advances. He did not wish to increase the differences between the two.

As to the use of the salary advance, the Director explained that part of the expenditure related directly to absence from Washington, and part to the duration of that absence. Contributions to staff retirement, medical benefits, and life insurance came to between 10 per cent and 20 per

cent of salary. A staff member might have what might be called a negative cash flow from the difference in salary between that offered by the Fund and that offered in certain countries, although part could be offset if the staff members rented out their houses in Washington. He would not deny that a staff member would have installation costs; but the Fund did not provide for them for persons on study leave. The expenses of staff members were related more to the length of assignment than to relocation. He did not know of any case in which intending participants had been discouraged by the lack of a relocation allowance.

Two would-be participants, who had not yet decided to take advantage of the scheme, had said that they would undergo some financial sacrifice and that they would welcome a salary advance of one year, the Director of the Administration Department added. While there was possibly some financial sacrifice, the staff members taking advantage of the scheme were doing so in the hopes of advancing their careers. They would after all be gaining important experience. As to the difference between the Fund scheme and the World Bank scheme, the Executive Board had stated that benefits should be kept reasonably parallel when possible.

Mr. Sigurdsson remarked that Mr. Yamashita's suggestion had given Committee members cause to look again at the financial ramifications of the proposed program. The program was a potentially valuable link between the Fund and members, but perhaps an interest subsidy was not the best way for the Fund to support it. It might be more suitable to pay a proportion of salary during the staff member's assignment. He would not himself wish to take a decision at the present meeting.

Mr. Kabbaj remarked that if no case was outstanding, he would take the same attitude as Mr. Sigurdsson. He would like the Director of the Administration Department to prepare a more elaborate paper, setting out the costs involved. Committee members could then take it up at the next meeting.

Mr. Yamashita, commenting on the Director of Administration's desire for consistency with the study program, observed that while staff members undertaking a study program received no installation allowance, they did receive full salary. On the other hand, under the external assignment program, the staff member received the pay offered by the receiving organization, which might be no more than 50 per cent of that in the Fund.

The Director of the Administration Department explained that the Fund paid full salary for sabbatical leave. It paid either half pay or no pay for staff members on special study leave, and it granted no installation costs in either case.

Mr. Suraisry remarked that the benefits to the Fund from the external assignment program were likely to be as great as those for the study leave program. Consequently, the Fund should do something to alleviate a staff member's financial sacrifice.

Mr. Dallara commented that Mr. Suraisry's comment was very relevant. He supported Mr. Sigurdsson's proposal that the staff should have another look at the program. However the matter was examined, the salary advance was an interest-free, subsidized loan, something against which the Committee and the Board had argued in the past in a broader context. It would be more appropriate to try to deal with the matter directly, instead of by what might be perceived as a supplementation of salary. One idea might perhaps be to provide a lump sum amount. Naturally, he supported the program as a whole; he only wished, like Mr. Kabbaj, to invite the staff to have another look at its suggestions.

The Acting Chairman observed that an additional consideration was that potential host organizations might well have rules prohibiting direct salary supplements, as indeed did the Fund.

Mr. Yamashita noted that, while the program was basically one for improving the careers of the participants, it was also a useful way of enhancing relations between the Fund and its members. In addition, the program provided a useful option for staff members wishing to achieve mobility. It could not be considered therefore only as a means of career development.

Mr. Kabbaj added that he certainly supported the program, and indeed the staff proposal as amended by Mr. Yamashita. He did not wish to delay the implementation of the report set out in EB/CAP/82/12; he was only asking for more information.

Mr. Prowse commented that, although Committee members supported the program, he understood that there was not much interest in it. To him, it was amazing that any staff members would participate in the program in view of the losses probably involved. The five staff members who had so far participated had, according to the report, all gone to what might be considered relatively high-paying receiving institutions. He would not like to see the program restricted to such institutions or such countries. A salary supplement would not be out of the question, but for the sensitivities of certain members. An interest-free advance was not a very good form of benefit; a grant to cover the costs of installation could not be very expensive to an institution as large as the Fund. The matter was therefore rather one of principle, and an installation grant should not be rejected merely on the grounds of lack of parallelism with the World Bank. He would support the program as it stood with the proposed change, but he would also accept a further look at the modalities of operating it.

Mr. Dallara stated that he did have difficulties with the program as it now stood; he would like the staff to see whether there were other ways of addressing the problems revealed.

The Director of Administration remarked that the staff could of course have another look at the points raised by Committee members.

There was however a staff member who was supposed to leave in January 1983 to take up a two-year assignment with the Japanese Ministry of Finance.

The Acting Chairman, summarizing the discussion, stated that he understood that the Committee wished the staff to re-examine the methods of implementation and to prepare a further paper for the Committee. In view of the Executive Board's work schedule, it might well be some time before the next Committee meeting could take place. He understood that the Committee was prepared to have any decisions that it might reach at its next meeting applied to the staff member who was leaving in January 1983.

The Committee members accepted the statement by the Acting Chairman.

3. TERMS OF REFERENCE OF THE COMMITTEE - PRE-BUDGET DISCUSSION

Mr. Prowse commented that the way in which the Fund's administrative budget was reviewed by the Executive Board constrained the degree to which Executive Directors examined the budget submitted by the Managing Director. He was not implying either that the budget was not a satisfactory document or that conversations between Executive Directors and the Deputy Managing Director were not a valuable source of contact. Nevertheless, there might be benefits in reducing the time devoted by the Executive Board to discussing the administrative budget, and in enabling Executive Directors to give management their views in greater depth. The proper place to achieve those two benefits might well be the Committee on Administrative Policies. While it might be unreasonable to ask Committee members to give their reactions at the present meeting, he hoped that for the next meeting of the Committee, the staff would present a brief description of the present terms of reference of the Committee, together with any history showing why the administrative budget should not be discussed by it.

The Acting Chairman remarked that the Committee's terms of reference indicated that the Administrative Budget would not be referred to it.

Mr. Dallara stated that he would support an examination of the matter, without commenting on the desirability of Mr. Prowse's suggestion.

Mr. Kabbaj considered that Mr. Prowse's proposal made sense. The World Bank held seminars on the budget, which defused many misunderstandings on points that Executive Directors would not wish to raise in the Executive Board. The matter could be discussed either in the Committee on Administrative Policies or in an informal session.

The Acting Chairman stated that the staff would look at the matter raised by Mr. Prowse. It might be possible to arrange for a procedural discussion at the next meeting of the Committee.

4. STAFF TRAVEL - FIRST CLASS AIR TRAVEL

Mr. Prowse inquired whether the matter of first-class air travel for the Fund staff was to be studied by the Committee on Administrative Policies or in any other place. He would like to clarify the matter in the Committee. It was an important point on which there was some divergence of views. It would be interesting for Executive Directors if the staff would provide the background and rationale for the present policy.

Mr. Dallara observed that his authorities had expressed continuing concern about the use of first class air travel by the Fund staff. He would, however, defer to the Acting Chairman regarding further handling of the matter.

The Acting Chairman remarked that the matter of first-class air travel was certainly one of wide interest, but he doubted whether the present moment was an ideal time at which to raise it.

APPROVED: May 9, 1983